PROPOSITION

60A

Surplus Property. Legislative Constitutional Amendment.

OFFICIAL TITLE AND SUMMARY

Prepared by the Attorney General

Surplus Property.
Legislative Constitutional Amendment.

- Dedicates proceeds from sale of surplus state property purchased with General Fund monies to payment of principal, interest on Economic Recovery Bonds approved in March 2004. When those bonds are repaid, surplus property sales proceeds directed to Special Fund For Economic Uncertainties.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Net savings over the longer term—potentially low tens of millions of dollars—from accelerated repayment of existing bonds.

Final Votes Cast by the Legislature on SCA 18 (Proposition 60A)

Assembly:	Ayes 55	Noes 21
Senate:	Ayes 28	Noes 3

ANALYSIS BY THE LEGISLATIVE ANALYST

Background

Surplus State Property. Current state statutes generally require a state agency to review annually its real property holdings (land and facilities) and determine what, if any, is in excess of its foreseeable needs. These properties are commonly referred to as "surplus state properties." They include both unused properties and those which are underutilized by an agency. Certain state-owned properties are excluded from being designated as surplus property, including any land designated for use for highway purposes.

Once real property has been identified as surplus, the state attempts to sell the property, or dispose of it in some other manner, such as by giving it to a local government. When surplus property is sold, the sales revenues are deposited into the account that originally paid for the acquisition of the property. In most instances, sales revenues are deposited in the state's General Fund and are available for expenditure on any state program.

Proposition 57 Bonds. In March of this year, voters approved Proposition 57, which authorizes the issuance of up to $15 billion in bonds to finance past budget deficits. The debt service (principal and interest payments) on these bonds is to be repaid over a 9- to 14-year period from designated General Fund revenues. (For more information on state bonds, please refer to the section of the ballot pamphlet entitled "An Overview of State Bond Debt.")

Proposal

This measure requires that proceeds from the sale of surplus state property that occur on or after the passage of this measure be used to pay the principal and interest on Proposition 57 bonds. Once these bonds are fully repaid, proceeds from surplus property sales would be deposited in the General Fund.

The measure does not apply to properties acquired with specified transportation funds or other special fund monies. In other words, the measure only applies to those properties that were purchased with General Fund revenue or bonds secured by the General Fund.

Fiscal Effects

Proceeds from the sale of surplus state property, which fluctuate significantly from year to year, are not a major source of General Fund revenue. For example, surplus property sales have averaged roughly $30 million a year over the past decade. (By comparison, total General Fund revenues in 2003–04 were roughly $75 billion.) By dedicating these surplus property proceeds to the debt service on Proposition 57 bonds, this measure would accelerate the bonds' repayment probably by a few months. In effect, the state would pay out more for debt service on these bonds in the short term and less in the longer term. (This is similar to what happens when individuals make additional payments on top of their regular car or home loan payments.) While this measure would not change the amount of bond principal, it would reduce the amount of interest payments over the life of the repayment period. We estimate that these interest savings—expressed in today's dollars—could be in the low tens of millions of dollars.

For text of Proposition 60A see page 81.

PROP **60A**

SURPLUS PROPERTY. LEGISLATIVE CONSTITUTIONAL AMENDMENT.

ARGUMENT in Favor of Proposition 60A

PROPOSITION 60A gives voters the chance to reduce the cost of the bonds they overwhelmingly approved in March as part of Governor Schwarzenegger's plan to help ease the state's budget crisis.

Unfortunately, those bonds carry a high price in the form of interest payments. There is a solution. Experts estimate California has more than $1,000,000,000 worth of surplus property. By requiring that proceeds from the sale of all such surplus property be used to help pay off the bonds early, *PROPOSITION 60A COULD DRAMATICALLY LOWER COSTS TO TAXPAYERS.*

Vote YES on Proposition 60A to *SAVE MONEY.*

DAN STANFORD, *Former Chairman*
California Fair Political Practices Commission

BARBARA O'CONNOR, Ph.D., *Director*
Institute for the Study of Politics & Media
California State University, Sacramento

GEORGE N. ZENOVICH, *Associate Justice*
Retired, 5th District Court of Appeal

REBUTTAL to Argument in Favor of Proposition 60A

Nowhere in the support arguments for Proposition 60A do you see mention of what Proposition 60A does to actually force the sale of surplus property in California. That's because Proposition 60A doesn't force the sale of surplus property—it only directs that the money raised IF surplus property is sold be used to pay off bond debt.

In seeking to compromise, the backers of Proposition 60A stopped short of what needs to be done.

That may be practicing the art of the possible, but it is no less "unpalatable" and deserves a no vote.

SENATOR BILL MORROW
ASSEMBLYMEMBER SARAH REYES

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ARGUMENT Against Proposition 60A

In his speech on the Conciliation of America, Edmund Burke said, "All government, indeed, every human benefit and enjoyment, every virtue and every prudent act, is founded on compromise and barter."

Proposition 60A falls short of the mark.

It does make sense to sell surplus state property when we're in the middle of a budget crisis, but Proposition 60A only says that *if* surplus properties are sold then the proceeds can only be spent to pay off the deficit reduction bonds voters approved last March.

It doesn't actually force the sale of the hundreds of millions of dollars worth of surplus property the state owns.

As California's financial troubles have grown, taxpayer groups started putting legislators' feet to the fire to get rid of surplus property the state owns—including a Bay Area massage parlor, part of a golf course, strip malls, and fashionable properties in Sausalito and even Tahiti!

Proposition 60A is only half a response.

It's good the big spenders can't get their hands on the proceeds, but there needs to be more of a stick to get the bureaucrats off the dime to actually sell properties.

Proposition 60A does no harm, but voters deserve more. Voters deserve to see "for sale" signs popping up on the state's surplus property.

STATE SENATOR BILL MORROW
STATE ASSEMBLYMEMBER SARAH REYES

REBUTTAL to Argument Against Proposition 60A

Proposition 60A helps to lower costs to taxpayers by requiring that proceeds from the sale of all surplus state property be used to pay off Governor Schwarzenegger's deficit reduction bonds early.

Vote Yes on Proposition 60A!

BARBARA O'CONNOR, Ph.D., *Director*
Institute for the Study of Politics & Media
California State University, Sacramento
MICHAEL S. CARONA, *Sheriff*
Orange County
HENRY L. "HANK" LACAYO, *State President*
Congress of California Seniors

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